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# Labour Market Policies for Increasing Economic Activity and Labour Productivity in Bulgaria

Iskra Beleva

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# **LABOUR MARKET POLICIES FOR INCREASING ECONOMIC ACTIVITY AND LABOUR PRODUCTIVITY IN BULGARIA**

**Author: Iskra Beleva, Professor, Ph.D. Economic Research Institute**

## **RESUME**

This study aims to present the recent active labour market policies for encouraging labour market participation and increasing labour productivity. It points out that a number of different programs and labour market measures have been implemented in Bulgaria in the last twenty years. The achievements of the analysis point out both positive and negative features. The programs contribute for increasing labour market inclusion and employment participation in a short run and this is the main positive effect. However, the lack of consistence and sustainability of employment occurred as negative features. The study outlines the effect of "Human Resource Development" Program, conducted in Bulgaria in the period 2007-2013, on labour market development and labour inclusion and productivity, in particular. It employs different quantities and qualities indicators to present the achievements of a total of EUR 402,4 millions, allocated for encouraging economic activity for increasing labour productivity. In conclusion the study outlines the positive effects and some negatives of the conducted policies and draws out recommendations for improvements.

Key words: labour market policy, employment, economic activity, labour productivity, assessment, efficiency

**JEL: J45, J48**

## 1. INTRODUCTION

Encouraging economic activity, employment participation and an increase in labour productivity constitute significant factors of growth. According to some estimates the share “labour” as a factor in GDP growth is relatively high, about one third of the total growth (ERI, BAS, Annual Report 2015, p.48-49). This indicates that encouraging labour market participation and the increase in labour productivity are the right steps on the road to better economic development and social prosperity. The understanding of the importance of the “labour” factor from the standpoint of economic growth is translated into specific policies, aiming to stimulate people to participate in the labour market and to increase the quality of their labour.

During the last twenty five years of development and improvement of labour market relations the policies in the sphere of encouraging economic activity and labour productivity passed through different periods, often being inconsistent and contradicting. Thus, when labour demand decreased significantly (as it happened between 1990-2000) the policies for encouraging economic activity were neglected and the efforts were concentrated on policies to develop unemployment and social protection nets. With the revival of labour demand the policies for encouraging economic activity and employment reintegration of unemployed and inactive people focused policy attention. This was the case at the beginning of the 21<sup>st</sup> century, when due to stable economic development, labour demand increased significantly. After the crisis, which started in Bulgaria in 2008, the policies for encouraging economic activity have been developed in the conditions of social and political awareness of the fact that the Bulgarian population within working age declines at a fast rate. The decline is a result of the deepening of the demographic crisis since 1960 and significant emigration since 1990. In such conditions the prevention of unemployment and activating labour participation of the population within working age definitely becomes a policy priority. Bearing in mind the difficult reversal of the demographic processes, the increase in labour productivity should be added as a priority target of labour market policy. The contribution of operational program "Human Resource Development" since 2007 should be outlined as well as an important instrument for policy development. *The aim of this paper* is to overview the conducted policies in the sphere of employment inclusion, economic activation of inactive people and labour productivity and to assess the contribution of Operational Program “Human

Resources Development”(OPHRD) 2007-2013 as one of the instruments for their development.

## **2. TARGETS AND SCOPE OF THE POLICY IN THE FIELD OF EMPLOYMENT, INCOURAGING ECONOMIC ACTIVITY AND LABOUR PRODUCTIVITY**

The policy for encouraging economic activity and labour productivity during the first years of labour market development in Bulgaria (1990-1998) was focused on marginalized groups at risk of dropping out of the labour market. Concrete measures and programs were developed for unemployment and social protection of those people, who faced massive layoffs due to privatization processes in various sectors (e.g. machine building, still industry, tobacco industry etc.). Another target group was the population within working age at constant risk of dropping out of the labour market (e.g. the Roma population). In the initial period of labour market development the policies conducted in the field of employment were often a reaction to specific conditions. In this sense they could be defined as conjunctive, which means that the undertaken decisions were oriented towards the short-run and lack strategic views on how to overcome the evident deficit of labor resources within working age. Examples to that effect are the implemented policies for introducing longer periods of parental leave for young mothers (they were offered three years of paid parental leave - one of the longest among all European countries); emigration incentives and a inconsistent policy regarding immigrants and their labour market integration.

One of the biggest programs for encouraging employment and economic activity from the standpoint of the number of participants and the funding is the *national program "From social care to employment"*. It aims to provide employment to unemployed people who are eligible for monthly social assistance by creating jobs in the public sector and is considered to be a positive step towards labour integration of socially weak people. Over the years the program has been developed and even though it possesses some negative characteristics (the main one being that it is a form of subsidy for temporary employment) this program still remains one of the important instruments for supporting employment of highly marginalized labour resources. The created jobs are not expensive in terms of investments - the program is funded by the state budget and the funding varies between the years (e.g. BGN 80 million in 2007 for employment of 33 thousands people and BGN 43 million in 2010 for employment of 29 thousand people, according to the National Action Plan for

Employment for 2007 and 2010 - Attachment 1). During the last eight years the following program could be identified as more important in the analyzed field: „First job”, „Increasing youth employment throughout their stable integration in the labour market”; „Support and encouraging employment in branches with labour shortage”; „Ensuring conditions for active labour life of people over 50 years of age and long-term unemployed people”; „Encouraging entrepreneur start”; „Back to work”, „Development”, „Employment for youths throughout practice opportunities”.

It should be underlined that only presently employment policy, including economic activity and labour productivity policies, in particular, becomes better targeted and systematic. Thus, the policy for employment increase is organized around its strategic objective: “to improve the quality of life of people in Bulgaria *through enhancement of the human capital, achievement of high employment levels, improvement of the productivity*, access to high-quality education and lifelong learning and strengthening the social inclusion (OPHRD 2007-2013, page 6). Three specific objectives have been formulated for the purposes of meeting the main goal as follows: a) increasing the labour supply and the quality of the labour force; b) more intensive investment in the human capital through better and more accessible education; c) more social capital, partnerships and networks and development of the social economy.

The formulated main objective and its respective specific goals are *clearly focused on ensuring the economic growth now and in the future with an active qualitative labour factor*.

Consistent and sustainable policies have been formulated for the purposes of achieving that objective; they have been presented in a series of strategic documents such as the National Reform Programs (the first such program is for the period 2007-2009, approved with Protocol 8.1. of the CoM from March 1, 2007; the last actualization of the program is from 2014 – “NP for reforms of the Republic of Bulgaria in Implementation of the Europe 2020 Strategy”). Other such documents are the Employment strategies (the first one is for the period 2004-2010, while the last one is “Updated Employment Strategy of the Republic of Bulgaria 2013-2020”, approved with Protocol 4 of CoM from 9.10.2013). The National Action Plans on Employment and the annual reports to them are the operative documents, which report on the implementation of the conducted policies.

The documents enlisted above point out, that the understanding of the unfavourable demographic environment, which lowers the birth rate of the population and the natural growth rate of the labour resource, has focused the attention of the policy makers and highlights the importance of the implemented policies. Given the sustained negative natural growth rate of the population and the intensive emigration processes, the efficient utilization of the available labour resource through employment inclusion and labour productivity increase constitute priority policies with no feasible alternative.

The policies, financed by ESF within the framework of encouraging economic activity and labour productivity, are represented by various schemes aimed at the inclusion of more individuals in education, qualification and employment. Oftentimes these schemes are combined; education is envisioned for the first phase and employment for the subsequent phase. A series of schemes envision a combination of training and employment over time. These schemes aim at:

- Encouraging employment through stimulation of the development of entrepreneurs (with the following two components: training and consultation, and newly established enterprises); for adaptability – scheme “Back to work” and “Development” (incl. training and employment following training);
- Improvement of the professional characteristics of the employed (scheme “I can”);
- Creating employment for youngsters via the provision of internship opportunities; Schemes “I can do more”; “Closer to work”; “First job”;
- Encouraging employment; qualification and motivation for competitive inclusion on the labour market; qualification schemes and services; Scheme “Take life into your own hands” (Annex 11 to Annual report 2013, Employment Agency).

The understanding of the significant importance of employment and labour productivity as sources of growth is reflected by the continuity of the policies in the long-term, as seen from OPHRD 2014-2020. Employment, reducing poverty and encouraging social inclusion are among the priorities, which focus on two of the goals of the “Europe 2020” Strategy of the EU and the national goals for the “2020” horizon, namely: (1) employment of no less than 76% of the population aged 20 to 64 as of 2020 and (2) reduction of poverty by 260 thousand people by 2020. These

goals pose a significant challenge before the policies, which are part of the three pillars of OPHRD 2014-2020:

- (1) Higher employment rate and better quality employment.
- (2) Reducing poverty and promoting social inclusion.
- (3) Modernisation of public policies

From the standpoint of the “labour” factor as a source of growth, the policy conducted with the support of ESF during the period 2007-2013 *focuses on activation of the groups at risk in employment and on training of employed and unemployed persons. Other important aspects such as the reproduction of the labour resource remain within the scope of national financing. The underestimation of this aspect and the limited national funding of policies aimed at overcoming the significant demographic disparities<sup>1</sup> condition the one-sidedness of the strategic objective - to ensure the availability of sufficient and qualitative labour resources as a factor of economic growth.*

### **3. ASSESSMENT OF THE EFFICIENCY OF IMPLEMENTED POLICIES FOR ENCOURAGING EMPLOYMENT INCLUSION AND LABOUR PRODUCTIVITY**

The assessment of the envisioned policies is based on the utilized financial resource; the achieved qualitative indicators are compared to the goals of the policies and the degree of satisfaction of the involved parties. *The key question*, which is addressed, is how these policies have contributed to the development of labour resources as a factor of growth in the short and long-run.

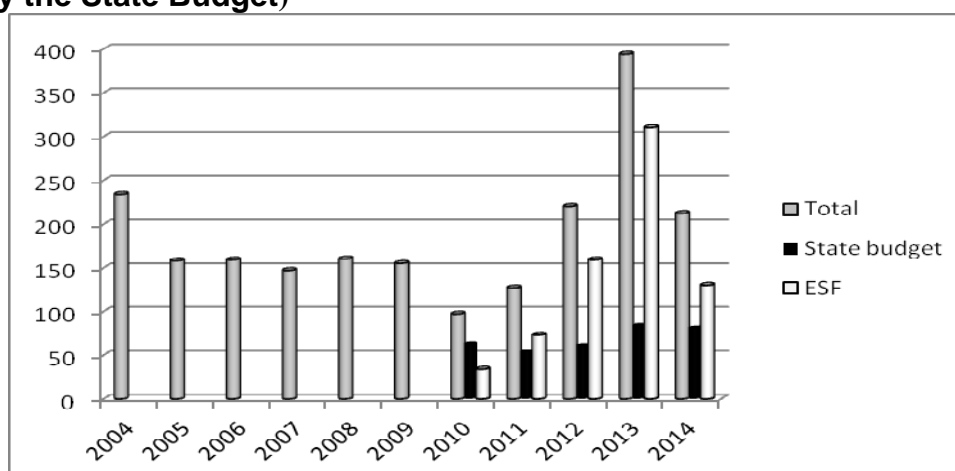
#### **Financial resources**

The economic policies, conducted in the frame of the national programs are funded generally by the state budget, while those, envisioned by the OPHRD 2007-2013, are financed from the European Social Funds to the amount of EUR 1 031 million. The share of the active policies financed by ESF in total financing increases during the five-year period and comprises 79% of total resources in 2013. The national co-financing comprises 15% of total financing for all priority axes (according to Annual Reports of the Employment Agency for the respective years).

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<sup>1</sup>, i.e. of policies, aimed at expanding the labor force via a decrease in infant mortality, an increase in the birth rate and improvement of the family environment as well as of policies in the field of migration.

**Figure1. Active labour market expenditure - total and by sources (by ESF and by the State Budget)**



Source: Annual reports of the Employment Agency for the respective years

There are several national programs, which employed the majority of the total number of unemployed people: i.e. the national program "From social care to employment" (the share of employed people varies from 40 to 60% of total number of unemployed during the period 2008-2010); "Personnel assistant to people with disabilities" (4-10 during the same period); "Support of maternity" (8-4%), etc. (see Table1).

**Table 1. Number of people who have worked under programmes and measures (average per year)**

Programmes	2008	2009	2010	2012	2013
1. "From social assistance to employment"	27451	23140	12771	8277	13912
2. "Personal assistance to disabled people"	10351	9217	2146	3337	3504
3. "Assistance for retirement"	3554	2216	848	37	41

Source: National Action Plan for respective years, National Agency

The expenditures for all active labour market programs has increased over the years from BGN 66 million in 2008 to BGN 73 million in 2011 and BGN 84 million in 2014. Via these expenditures the number of unemployed people, included in employment, has decreased from 66 thousand people in 2008 to 23 thousand in 2011. As a percentage of GDP active labour market expenditure are insignificant - 0,28% in 2008 and 0,09 % in 2011. A specific characteristic of active labour market funding is that more and more programs are transferred for funding from the state budget to Operational program "Human Resource Development". Due to that, further analysis is concentrated on assessment of active labour market programs, conducted under OPHRD.

Bulgaria commenced the implementation of OPHRD with a low degree of readiness of specific policy schemes, of preparedness of the institutions to implement



those schemes and a low level of information provision to all participants in the process. Hence, the first three years passed in activities for preparation, contracting and information provision to potential beneficiaries of the policies within the framework of OPHRD. Only 5 OPHRD schemes are implemented in 2008; in 2009 they are supplemented by a limited number of schemes for training and acquiring professional qualification and key competences. Most of the schemes within the framework of OPHRD commence in 2010, while the most extensive policy in terms of the number of schemes (15 in total) is implemented in 2012.

It should be noted that the three-year preparatory period is too long and indicates that the institutions have not had sufficient preparation in the elaboration of programs. They act sluggishly during the process of their approbation. The necessary institutional infrastructure (legal basis) and labour capacity for conducting policies develops slowly. Another specific characteristic is the existing mismatch between the actual needs of the labour market and the envisioned policies. This creates an *attitude of “absorbing some funds”* and an insufficiently accurate assessment of long-term goals. In the conditions of strict financial restrictions, the resources from ESF constitute the main source of support provision for policies, including anti-crisis ones. This approach of transferring active policies from the State budget towards co-financing by ESF does not contribute for further restructuring of the labour market.

The policies for encouraging employment and labor productivity comprise 21% and 18% respectively of the resources allocated within the framework of the program. BGN 216 million have been allocated for encouraging economic activity and BGN 185 million for increasing labour productivity, making a total of EUR 402,4 million which is 39% of total funding for human resource development for the period 2007-2013.

Increasing the employability and quality of the labour resources is in itself an important policy with long-term effects on growth. From this point of view, the priority given to the first two axes of OPHRD is advantageous in itself. On the other hand, there is some doubt about their efficiency in view of the significant skill mismatch between the supply and demand for labour in the country - a fact, frequently underlined in the annual reports on the implementation of OPHRD (Annual Report on OPHRD, 2013, p.34)

#### **Degree of fulfilment of the objectives of OPHRD**

The so-called key indicators, specified in OPHRD, are used for the purposes of assessing the impact of the policies over human resources. The long-term goals of the Lisbon strategy have also been specified; they are consequently lowered to reflect the impact of the international economic crisis.

The impact of OPHRD over the development of human resources in Bulgaria is analysed via the following set of key indicators, which are specified in the program and presented in the table below:

**Table 2. Main indicators of human resource development (%)**

Indictors	2006	Objectives until 2013	Achieved result	Lisbon objective
Employment rate (age group 15-64)	58,6	64,0	59,5	70,0
Employment rate - women (age group 15-64)	54,6	56,0	56,8	60,0
Employment rate (age group 55-64)	39,6	42,0	47,4	50,0
Unemployment rate (age group 15+)	9,0	6,0	12,9	-
Youth unemployment rate (age group 15-24)	19,5	16,0	25,7	-
Long-term unemployment rate – more than 12 months (% of the workforce)	5,0	4,0	7,4	-
Early school leavers	20,0	13,0	12,5	10,0
Share of persons with completed secondary education	76,5	84,0	86,0	85,0
Participation in life-long learning	1,3	5,0	1,7	12,5
Persons living in households with an unemployed individual	13,0	10,0	14,8	-

Source: OPHRD, 2007-2013, pages 83-84

The source of the data about the achieved levels of the indicators in the end of 2013 is NSI. For two of the indicators the envisioned levels have been exceeded – employment rate of women and employment rate of the age group 55-64. The achieved rates of employment of the labour resources remain lower than the envisioned ones. The target values are also not achieve for all indicators relating to a decrease in unemployment as well as to all indicators about life-long learning, the percentage of persons living in households with an unemployed individual and the percentage of early school leavers.

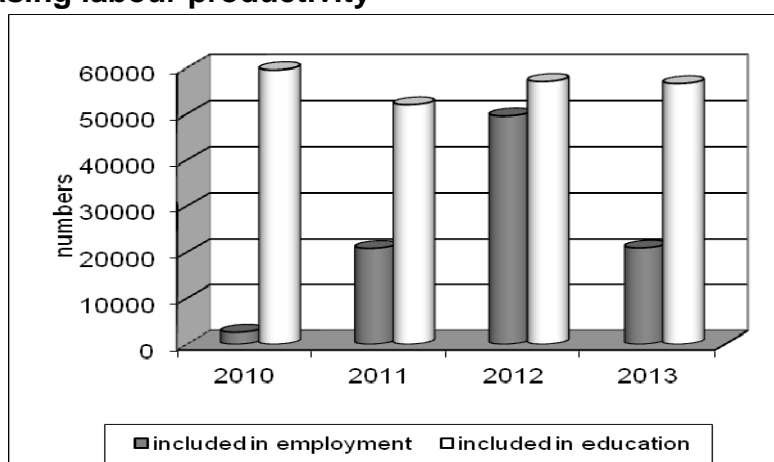
Two significant questions arise in view of the degree of achievement of the envisioned target levels: **a)** to what extend have the conducted policies contributed to stimulating the development of employment and increasing its productivity (adequate schemes for encouraging economic activity and creating jobs; flexibility on the labour

market, incl. well-functioning institutions; sustainability of employment; quality of employment and others) and **b)** to what extent have factors, which are external to the labour market system, impeded the normal implementation of the programs and, more specifically, to what extent has the impact of the international financial crisis and the political and social instability in the country hindered the implementation of OPHRD to the maximal extend?

The analysis of the specific schemes, which represent the first two priority axes of OPHRD - promotion of economic activity and development of inclusive labour market and raising the productivity and adaptability of the employed persons, will address these questions. Data from the annual reports on the implementation of the operational programs and the intermediary assessments<sup>2</sup> have been used as well as assessments and scientific studies of the impact of the crisis on the labour market, etc. The specification of the analysis and the assessments of the policies in terms of the development goals and the results achieved in the end of the period are conducted on the basis of an analysis of the program-specific indicators and expert assessments. Conclusions are drawn regarding the effects of the achieved results on economic development and growth in the short-, medium- and long-term perspective.

The results achieved by the schemes within the framework of OPHRD as of the end of 2013 indicate that the total number of participants in the projects is 360 064 persons.

**Figure 2. Participants in policies for encouraging employment and increasing labour productivity**



Source: Annual report, 2013, Employment Agency, pages 66-67.

<sup>2</sup> Documents, concerning European funds in Bulgaria, which are published on the governmental website .

The number of employed individuals, who have participated in various forms of training for improvement of the qualification and for acquiring key competences, predominate in comparison to the number of unemployed individuals, who were included in employment or an internship following training within the framework of OPHRD schemes. The fact that in the design of the specific schemes, priority is given to the improvement of the professional qualification and competences rather than to the inclusion in employment of the unemployed *has both positive and negative consequences*. The anti-crisis characteristic of this approach towards maintaining the employment level can be classified as positive. The increase in their productivity (resulting from the conducted professional training) is also a positive characteristic. The negative consequences are that the effects are short-term given a continuation of the crisis and the subsequent stagnation, reflected by the increase in the unemployment rate and particularly of long-term unemployment.

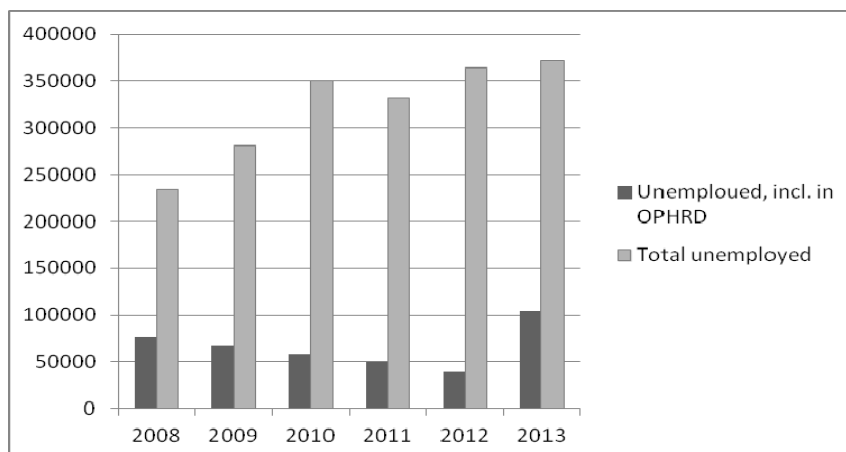
Some of the negative effects can be traced on Figure 3, outlining that as economic stagnation persists and unemployment increases, the number of participants in such policies within the framework of OPHRD decreases during the period 2008-2012. The data also indicate a decreasing number of newly included unemployed individuals over the years. A significant increase is only registered in the last year <sup>3</sup>. The share of the unemployed individuals, who have participated in the various types of policies, in the total number of unemployed individuals, however, remains lower. Only in the 2013 there is a sharp increase (104654 people). As a share of total unemployment the level remains under one third - 28.2% in 2013. <sup>4</sup>

**Figure 3. Number of persons, included in employment within the framework of OPHRD, and total number of unemployed people**

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<sup>3</sup> 104654 persons in 2013 compared to 39593 persons in 2012, 49618 in 2011, 58862 in 2010, 66840 in 2009 and 76249 in 2008

<sup>4</sup> This share is 10,8% in 2012, 14.9% in 2011, 16.7% in 2010, 28% in 2009 and 38,3 in 2008.

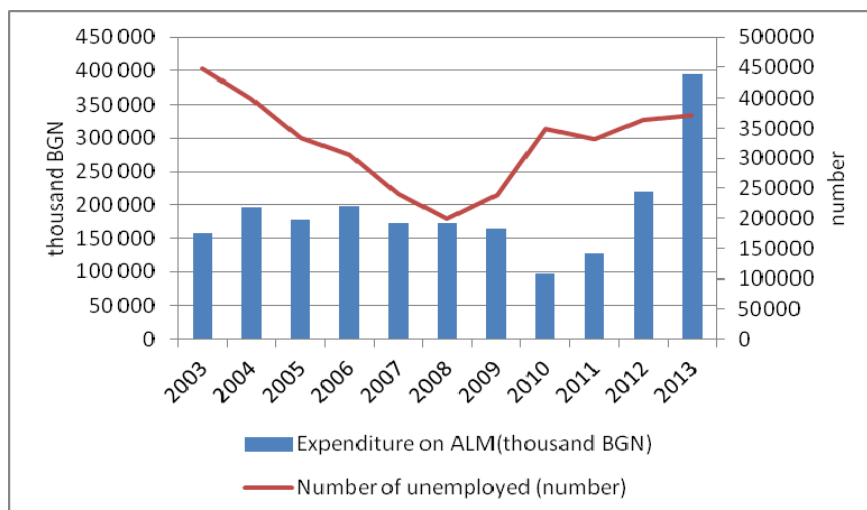


Source: Employment Agency, annual reports for the respective years

In the end of 2008 the international crisis began to manifest in Bulgaria. The crisis is characterized by an increase in unemployment and the interests of the state should logically be focused on preserving jobs and preventing a “boom” in unemployment. This did not happen because of prioritization of strict fiscal restrictions, implemented as a tool for combating the crisis. Fiscal restrictions were implemented in the field of ALMP as well. The financial restrictions in all channels of the economic system caused the loss of jobs, bankruptcies of the small- and medium-sized businesses and naturally limited job opportunities for the unemployed. I.e. excessive fiscal discipline restricted employment policy to a minimal number of participants in employment programs. The decrease in the number of employed individuals had a positive impact over the productivity of labour; however, this did not occur as a result of a restructuring of employment and of the lines of manufacturing, but rather predominantly as result of the decrease in employment.

The fiscal pressure over the labour market is clearly reflected by the dynamic of the expenditures for active labour market policies and the number of the unemployed (Figure 4).

**Figure 4. Dynamic of expenditures for active labour market policies and total number of unemployment in Bulgaria**



Source: Annual reports of the Employment Agency for the respective periods

During the period 2003-2008 the expenditures decreased, while the unemployment registered insignificant fluctuations. When unemployment increases during the crisis years, the expenditures begin to slowly increase, but they remain lower in comparison to 2003 particularly in midst of the economic crisis and high employment.

*There is yet another contradiction:* the relative share of the unemployed, included in active labour market programs, in the total number of unemployed individuals is higher during periods when the programs are mainly financed from the state budget, while during period of high unemployment and predominant financing from OPHRD this share decreases;

One of the explanations here is that training (including training of the employed) is prioritized by the Operational program. Given the existing configuration of the policy, some of the unemployed are in somewhat of a disadvantageous position with regard to the access to active labour market policies. The structure of the schemes, funded by the state budget and ESF, should hence be examined in more depth. For the individuals with low education and motivation, the women and the elderly, passing training and obtaining the respective qualification is problematic, particularly for those, who live in small settlements and have an unequal access to the policies, enlisted in the following table.

**Table 3. Persons from vulnerable groups, included in active policies, financed with resources from ESF**

Year	Total number	Long-term unemployed -%	Youngsters up to the age of 29 -%	Persons aged 50+ -%	Disabled persons %
2013	172389	18,3	25,2	22,3	2,2
2012	179460	13,7	24,8	27,1	1,5

2011	141740	15,2	21,0	26,8	2,7
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Source: Annual report 2013, Employment agency, Annex 11

The persons from vulnerable groups, who have participated in the various policies, comprise a mere 5% of all unemployed individuals in 2009, while their share in total unemployment continuously increases – to 35% in 2010, 57,5% in 2011, 72,3% in 2012 and 78,7% in 2013 (see Annual report, Employment agency, page 56). The youngsters, the persons aged 50+ and the long-term unemployed are the main groups, on which the inclusion efforts are focused. *Despite that, the share of these groups in total unemployment remains large, which shows that inclusion in these programs does not provide a lasting solution to the problem.*

Table 4 presents a synthesis of the outcomes of the concrete schemes.

**Table 4. Specific schemes, number of participants and funding from OPHRD (in the end of 2013)**

Name of the scheme	Number of participants from the start of the project until the end of 2013	Funding – million BGN	Envisioned number of participants
Encouraging the initiation of projects for development of independent economic activity – component 1	14495	36	16250
Encouraging the initiation of projects for development of independent economic activity – component 2	10365	50	10400
Adaptability	3271	90	3454
Back to work	7082	64	-
Creating employment of youngsters through internship opportunities	9166	35	8930
Development	112828	240	
Promoting employment	25100	80	
I can	60642	26	
I can do more	95324	99	
First job	4333	20	
Closer to work	5499	8	
Qualification and motivation for competitive inclusion on the labour market	3722		4665
Qualification services and promotion of employment	2989	36	3103
Qualification services for trainings of employed persons	Phase 1 - 22632 Phase 2 - 43535 Phase 3 - 11149	14 18 50	15126

*The following should be highlighted as the most significant problems during the implementation of the presented policies:*

- The assessment of the efficiency of the policy cannot be sufficiently adequate if it is solely based on the current quantitative information about the financial resources and the absolute number of participants in the programs. The increase of the expenditures per unemployed, included in employment or training programs, does not show the effects of the co-financing from ESF on labour force employment inclusion. For example, in 2010, the total number of long-term unemployed, who participated in employment and training schemes within the framework of OPHRD, is 2440, which comprises an insignificant percentage of total long-term unemployment. Does this mean that the policies are ineffective?
- The period of reporting of the resources and the time of inclusion in a given program do not coincide in time, which significantly distorts the perception of the impact of the incurred expenditures. This fact has been explicitly pointed out in the Yearbook for 2010 of the Employment Agency (pages 37-38).
- The multitude of actions should supplement, expand and build on the active and preventive measures on the labour market. But is this really the case? The alternatives to activation and inclusion in employment remain within the scope of the recommended schemes, which offer similar services – registration, consultation, information provision, training, employment.

The policies for increasing productivity through qualification and training of the labour force are the most “large scale” programs from the standpoint of the number of participants. Employed and unemployed persons participate in a variety of forms of training as a means to attain/increase their professional qualification and acquire key competences. In 2013 the greatest number of participants (newly included individuals) took part in the scheme “I can” (41103 persons), followed by scheme “Promoting employment” (15722 persons) and scheme “Qualification and motivation for competitive inclusion on the labour market” (11126 persons). For the other schemes the number of newly included participants ranges from a thousand to two thousand persons, while some schemes have a significantly smaller number of



participants – for example the scheme for encouraging entrepreneurship, component “newly established enterprises” has 141 participants and the training component of this scheme – 254 persons. The outcomes of their participation is reflected by the beneficiaries’ assessment of the

**Assessments of the beneficiaries** regarding the usefulness of the policies within the framework of programs “I can” and “Qualification services and training for employed persons” of OPHRD

- *Satisfaction of the employees, who participate in schemes for improvement or attainment of professional qualification and key competences*

According to the intermediary assessment reports, the interviews conducted as a means to study the effectiveness of the programs indicate that the majority of the schemes receive a positive evaluation; the beneficiaries consider them useful and necessary<sup>5</sup>. A high level of satisfaction has been registered – 58.1% of the respondents, who completed professional qualification courses, are entirely satisfied, while amongst the participants in trainings for the attainment of key competences this percentage is 38.7%. The shares of partially satisfied participants are 29.7% and 22.9%, respectively. This means that share of participants, who are not satisfied by the training is 12.2% for the professional qualification training and 38.4% for the training in key competences.

- There is compliance between the expectations and the actually acquired knowledge (89.7% of the respondents state that the content of the courses meets their expectations; 7.7% state that it partially meets their expectations and 2.6% cannot determine that).
  - *Assessment of the actual impact of the program over the development of labour resources*
- 24% of the participants in qualification courses and attainment of key competences report an improvement of their position at work;
- 46.6% of the participants in training within the framework of scheme “I can” report better level of execution of their professional duties;
- Training has helped 4.2% of the respondents to find a new job;

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<sup>5</sup> Report from a study of the implementation, progress and satisfaction with scheme “I can” of OPHRD, conducted by the Assessment, monitoring and coordination unit to the European funds, international programs and projects directorate at MLSP

- For another 2.7% it has resulted in increased pay;
- 21% of the respondents have a negative attitude towards the achieved results; for them the training in professional qualification courses or courses for attainment of general competences has had no impact; for 3.1% it has led to problems at work, while another 18% cannot determine what the impact was.
- It is apparent that the general opinion about the importance of training is predominately positive. However, it should be pointed out that nearly 42% of the participants in program “I can” are not satisfied.

- *Sustainability of the achieved results*

82.1% of the target group believe that their participation in training within the framework of program “Qualification services and training of employed people” will benefit them in the future, i.e. they will use the acquired knowledge in the future; 62% of the respondents state that the benefits from the training manifest immediately following its completion, while another 33% believe that it is the companies, in which they work, that will benefit<sup>6</sup>.

- *Effects from participation in the programs for the companies*

The effects from the participation in the programs of the companies are various and include:

- Increase in labour productivity (41.3%);
- Introduction of innovative strategies and models (26.1% of the representatives of the beneficiaries and 38.5% of the representatives of partners);
- Realization of the need for implementation of modern practices for human resource management through training of the employed; development of cooperation between beneficiaries and partners, and implementation of good practices (54.3% of the representatives of the beneficiaries and 61.5% of the representatives of partners);
- Future successful partnership for training of the employees; improvement of the reputation of the organizations;
- Increased capacity for successful participation and implementation of projects, financed by ESF (84.8% of the representatives of the beneficiaries and 53.8% of the representatives of partners).

#### **4. Conclusions**

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<sup>6</sup> Impact assessment, final report

The following conclusions about the implemented policies may be formulated with regard to their goals and their impact over the development of human resources.

1. Encouraging economic activity and inclusion in employment as well as the increase in the quality of labour resource through training and qualification *constitute policies of primary importance from the standpoint of ensuring qualitative and dynamic economic growth*. Hence, targeting (redirecting) grant funding to the amount EUR 1 031 billion from the ESF, via OPHRD is a sound approach, particularly during a period of economic crisis and limited possibilities for financing from the state budget.
2. The goals, formulated by OPHRD with regard to stimulating economic activity and employment as well as increasing labour productivity are partially achieved, which is due to the strong negative impact of the crisis on the demand for labour. The crisis significantly contributes to a decrease in the efficiency of the implemented policies as well as to the transformation of some of these policies into anti-crisis measures.
3. In addition to the external shocks on the labour market, the efficiency of the implemented policies in the analysed field is impacted by the internal imperfections of the labour market, such as insufficient flexibility, lack of skills and experience with the management of funding from the ESF, lack of sufficient institutional capacity for implementation and assessment of policies.
4. The partial fulfilment of the policy goals is reflected by the fact that employment decreases by 11% during the period 2008-2013 (from 3289,9 to 2931,6 thousand persons for the age group 15+ and from 3211,4 to 2871,5 thousand persons for the age group 20-64), while unemployment increases from 6.5% to 13% (from 228,8 to 411 thousand persons).
5. From the standpoint of the implementation of the policies, education is a priority. In that sense, the resulting effect will be long-term, rather than short-term. For example, during the period 2008-2013, training of employed persons represents 70% of all individuals, encompassed by respective policies (250990 persons out of a total of 360064 persons, which have been included in the analysed schemes).
6. Encouraging employment and job creation is modestly represented by schemes for the establishment of new enterprises (a total of 141 person), inclusion in employment of youngsters via internships (9166 persons), employment within the framework of scheme "Take life into your own hands" (1123 persons), scheme "Back to work" (3569 persons) and scheme "First job" (2066 persons). It is apparent that such limited

inclusion in employment cannot be anticipated to have a significant impact over aggregate employment.

7. The permanence of the created employment remains a subject to intense discussion, despite the specified share of nearly 60% of the participants in the analysed schemes, who are still employed in 2014. It should, however, be pointed out that the aforementioned is only valid for some of the schemes and that many of the persons, who have passed through the programs, once again become unemployed or drop out of the labour market.

8. The elaborated policies can be improved from the standpoint of the design of the programs (the scope of the target group, the professional realization of the participants in the programs) and their implementation (the organization of the process itself, the flexibility of the implemented schemes – for example, through organization of public tenders, signing of contracts, immediate verification of expenditures, etc.). As a whole, the elaborated mechanisms are cumbersome, the procedures are strenuous and the rules are not sustainable, which decreases the amount of interest and degree of trust in these policies. Despite the inclusion of persons from the so-called “vulnerable” groups, such as youngsters, long-term unemployed, persons aged 50+, the unemployment level amongst these marginalized groups has not decreased significantly.

9. Mass participation of the employed in the programs for acquiring and improving their qualification as well as for acquiring particular key competences raises the question whether, and to what extent, the financing of these policies by ESF shifts the responsibility of the employers for maintaining a competitive level of the labour force (a hidden form of subsidy, particularly in the large companies). The participation of the small- and medium-sized business and of sole proprietors in these programs is not equivalent and places these participants in a disadvantaged position.

10. The excessively large number of available training organizations (111 in total) inevitably puts the quality of the education into question. The audit reports formulate numerous recommendations in relation to that and need to be coordinated with OPHRD 2014-2020.

11. The Employment Agency reported about a considerable imbalance in the territorial distribution of professional training. At this stage, the reasons for this imbalance are difficult to discern, since the applications, submitted by candidates,

concern specific centres and trainings, i.e. a direct correlation between supply and demand cannot be identified.

The above conclusions leads to some recommendations concerning conducted policies:

- ✓ Matching of the conducted training with the needs of the labour market, at the very least in the medium-term period, is a necessary condition for achieving efficiency. In crisis conditions and limited labour demand, targeting resources at training of the labour force is a classic anti-crisis measure, which is commonly implemented in developed market economies. Meanwhile, this measure is a prerequisite for the restructuring of the labour force in compliance with the post-crisis development of the economy. In that sense, the successful implementation of this measure requires informational transparency with regard to the priorities of the post-crisis economic development. The absence of such a transparent informational environment attributes an arbitrary characteristic to training, particularly of training aimed at improving the professional qualification.
- ✓ Employment and training should not be viewed as alternatives, but rather as two aspects of the same process. The expenditures associated with conducting training become economically viable whenever their respective returns generate benefits for society, the company and the individual. Conducting training solely for the purposes of training indicates inefficiencies at all levels.
- ✓ Extending the responsibilities of the participants in the process (employers, training organization and trainees) with regard to its efficiency, including through monetary liability for non-compliance with the conditions of the program (for example, wilfully dropping out of the course, low quality of the conducted training, failure to ensure employment following completion of the courses, etc.)
- ✓ Extending the responsibility of the institutions, engaged in the management of programs financed by ESF and the state budget (incl. assumption of personal responsibility) in case of lack of efficiency and effectiveness.

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